1. ORGANISATION AND OPERATIONS

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Group is principally engaged in the manufacturing and trading of household products.

2. PRINCIPAL ACCOUNTING POLICIES

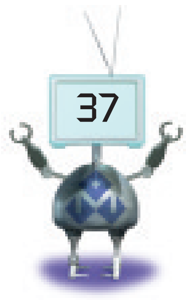
(a) Basis of presentation

The financial statements are prepared under the historical cost convention and in accordance with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

(b) Adoption of Statements of Standard Accounting Practice

In the current year, the Group has adopted, for the first time, the following Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants:

SSAP 9 (revised)	Events after the balance sheet date
SSAP 14 (revised)	Leases
SSAP 26	Segment reporting
SSAP 28	Provisions, contingent liabilities and contingent assets
SSAP 29	Intangible assets
SSAP 30	Business combinations
SSAP 31	Impairment of assets
SSAP 32	Consolidated financial statements and accounting for investments in subsidiaries



2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Adoption of Statements of Standard Accounting Practice (Continued)

The effects of the adoption of the above accounting standards are summarised as follows:

(i) The adoption of SSAP 14 (revised) "Leases" has no material impact on the reported financial position or results of the Group except that comparative information in the operating lease commitments disclosure in Note 31(b) has been restated to comply with the requirements of this revised statement.

(ii) The adoption of SSAP 26 "Segment reporting" requires comprehensive disclosure of financial information by segment (both business and geographical segments) of the Group. This change in accounting policy has been applied retrospectively and the relevant disclosure has been summarised in Note 4.

The adoption of SSAP 9 (revised), SSAP 28, SSAP 29, SSAP 30, SSAP 31 and SSAP 32 had no material impact on the reported financial results of the Group.

In addition to the adoption of the above standards, the Group has adopted the consequential changes made to SSAP 10 "Accounting for investments in associates", SSAP 17 "Property, plant and equipment" and SSAP 18 "Revenue". Other than those disclosed in the respective notes to the financial statements, the Group considers that the consequential changes made to the above SSAPs do not have any material impact on the financial statements of the Group.

Unless otherwise stated, the 2001 comparative figures presented herein have incorporated the effect of adjustments, where applicable, resulting from the adoption of the new accounting standards above.

(c) Basis of consolidation

The consolidated financial statements of the Group include the accounts of the Company and the enterprises that it controls. This control is normally evidenced when the Group has the power to govern the financial and operating policies of an enterprise so as to benefit from its activities. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal. The equity and net income attributable to minority shareholders' interests are shown separately in the Group's balance sheet and income statement, respectively.

Intragroup balances and transactions and resulting unrealised profits are eliminated in full. Unrealised losses resulting from intragroup transactions are eliminated unless cost cannot be recovered. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Turnover

Turnover represents the net invoiced value of goods sold, after allowances for goods returned and trade discounts, but excludes intra-group transactions during the year.

(e) Revenue recognition

Provided it is probable that the economic benefits associated with a transaction will flow to the Group and the Company and the revenue and costs, if applicable, can be measured reliably, turnover and other revenue are recognised on the following bases:

(i) Sale of goods

Sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to a customer.

(ii) Rental income

Rental income is recognised on a straight-line basis over the lease terms.

(iii) Interest income

Interest income from bank deposits is recognised on a time proportion basis on the principal outstanding and at the rate applicable.

(f) Subsidiaries

A subsidiary is a company in which the Company has controls. Control is normally evidenced when the Group has the power to govern the financial and operating policies of an enterprise so as to benefit from its activities. In the financial statements of the Company, interests in subsidiaries are carried at cost less provision for impairment in value where considered necessary by the directors. The results of the subsidiaries are included in the Company's income statement to the extent of dividends received and receivable.

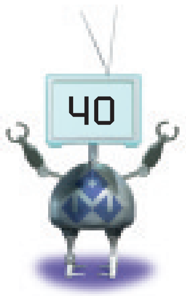
2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) Associate

An associate is an enterprise over which the Group has significant influence, but not control or joint control, and thereby has the ability to participate in its financial and operating policy decisions.

In the consolidated financial statements, interest in an associate is accounted for under the equity method of accounting, whereby the investment is initially recorded at cost and the carrying amount is adjusted to recognise the Group's share of the post-acquisition profits or losses of the associate, distributions received from the associate and other necessary alterations in the Group's proportionate interest in the associate arising from changes in the equity of the associate that have not been included in the consolidated income statement. Where, in the opinion of the directors, there is an impairment in value of an associate, or the market value has fallen below the carrying value over a sustained period of time, a provision is made for such impairment in value.

The financial year end of the associate is 31st December, accordingly, the share of results of the associate for the year ended 31st March, 2002 is arrived at based on the unaudited management accounts as at and for the year ended 31st December, 2001.



(h) Fixed assets and depreciation

Fixed assets, other than construction-in-progress, are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed assets beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of the fixed asset.

Depreciation is calculated on the straight-line basis at annual rates estimated to write off the depreciable amount of each asset over its estimated useful life. The principal annual rates or useful lives are as follows:

Leasehold land	Over the terms of the leases
Buildings	2% or the terms of the leases, if shorter
Leasehold improvements	14.3% – 20%
Plant and machinery	20%
Furniture, fixtures, office and computer equipment	20%
Motor vehicles	20% – 25%
Moulds	20%

Assets held under finance leases are depreciated over their expected useful lives (or, where shorter, the term of the lease) on the same basis as owned assets.

The useful lives of assets and depreciation method are reviewed periodically.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) Construction-in-progress

Construction-in-progress represents plant and properties under construction and is stated at cost less accumulated impairment losses. This includes cost of construction, plant and equipment and other direct costs plus borrowing costs which include interest charges and exchange differences arising from foreign currency borrowings used to finance these projects during the construction period, to the extent these are regarded as an adjustment to interest costs.

Construction-in-progress is not depreciated until such time as the assets are completed and ready for their intended use.

(j) Borrowing costs

Interest is expensed as incurred, except for interest directly attributable to the construction of leasehold land and buildings under development which is capitalised as part of the cost of that leasehold land and buildings. Interest is capitalised at the weighted average cost of the related borrowings up to the date of completion of the leasehold land and buildings. The capitalised interest rate represents the weighted average cost of capital from raising the related borrowings externally and is approximately 4% (2001: 8%).

Other borrowing costs, including amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arranging borrowings and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs are recognised as an expense in the year incurred.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(l) Trade and other receivables

Trade and other receivables are stated at their cost, after provision for bad and doubtful debts.

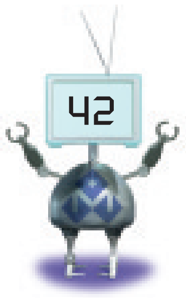
(m) Cash and cash equivalents

Cash represents cash on hand and deposits with banks which are repayable on demand.

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

(n) Provisions

A provision is recognised when an enterprise has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.



(o) Leases

(i) Finance leases

A finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred.

The Group recognises finance leases as assets and liabilities in the balance sheet at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments the discount factor used is the interest rate implicit in the lease, when it can be determined. Otherwise, the Group's incremental borrowing rate is used. Initial direct costs incurred are included as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

A finance lease gives rise to depreciation expense for the asset as well as a finance cost for each accounting period. The depreciation policy for leased assets is the same as that for depreciable assets that are owned.

(ii) Operating leases

An operating lease is a lease other than a finance lease.

Leases of assets under which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(p) Deferred taxation

Deferred taxation is provided under the liability method in respect of timing differences between profit as computed for taxation purposes and profit as stated in the financial statements to the extent that it is probable that a liability or an asset will crystallise.

(q) Foreign currency

(i) Foreign currency transactions

The Company and its subsidiaries maintain their books and records in the primary currencies of their respective countries. Transactions in other currencies are translated into the local currencies at exchange rates prevailing at the time of the transactions. Monetary assets and liabilities denominated in other currencies at the balance sheet date are re-translated at exchange rates prevailing at that date. All exchange differences, other than those capitalised as a component of borrowing costs, are recognised in the income statement in the period in which they arise.

(ii) Foreign entities

The financial statements of foreign consolidated subsidiaries are translated into Hong Kong dollars using the year-end exchange rates with respect to the balance sheet, and the average rate for the year with respect to the income statement. All resulting translation differences are included in the translation reserve included in equity.

Exchange differences on transactions which hedge the Group's net investment in a foreign entity are charged or credited directly to the translation reserve in equity.

On the disposal of a foreign entity, the cumulative exchange rate differences that relate to the foreign entity, are recognised as income or as expense in the same period in which the gain or loss on disposal is recognised.

(iii) Foreign operations

Where the operations of a foreign company are integral to the operations of the Group, the translation principles are applied as if the transactions of the foreign operation had been those of the Group, i.e. foreign currency monetary items are translated using the closing rate, income and expense items are translated at the exchange rates in effect on the dates of the transactions, and resulting exchange differences are recognised in the income statement during the year.

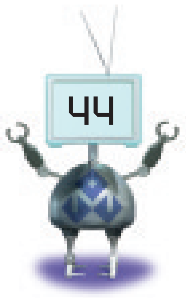
2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(r) Impairment of assets

Fixed assets, interests in an associate and subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statement. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of the asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recorded in income.

(s) Segments



Geographical segments: for management purposes the Group is organised on a world-wide basis into four major operating businesses. The divisions are the basis upon which the Group reports its primary segment information. Financial information on business and geographical segments is presented in Note 4.

Intersegment transactions: segment revenue, segment expenses and segment performance include transfers between business segments and between geographical segments. Such transfers are accounted for on a cost plus markup basis mutually agreed by different divisions. Those transfers are eliminated in consolidation.

(t) Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

(u) Subsequent events

Post-year-end events that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate (adjusting events), are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

(v) Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in Hong Kong requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. DEBT RESTRUCTURING

On 10th November, 2000, the Group entered into a legally binding Debt Restructuring Deed ("DRD") with eighteen bankers of the Group (the "Bank Group"), excluding a banker in the People's Republic of China (the "PRC"), pursuant to which the Bank Group agreed to restructure the outstanding bank indebtedness of the Group, major terms of which, as revised by subsequent amendments, were as follows:

(a) the reinstatement of the banking facility for the Group's secured indebtedness of approximately HK$7,773,000, which included all outstanding principal, unpaid interest, and other fees, costs and charges in respect of a mortgage loan. The banking facility was reinstated on the terms and conditions contained in the existing facility arrangements, except that no further drawdown under the existing facility could be made.

(b) the Group's residual indebtedness of approximately HK$337,041,000 was dealt with in the following manner:

    (i) the execution of a debt compromise arrangement whereby the Bank Group nominated approximately HK$53.4 million of its total debts for settlement. The Group earmarked approximately HK$10.8 million from its internal cash resources for full and final settlement of the compromised debts.

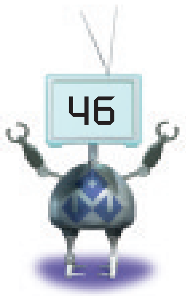
    (ii) HK$116,873,344 as Zero Coupon Secured Convertible Bonds ("Zero CB"). The terms of the Zero CB include (i) repayment of the principal amount outstanding on the 5th anniversary of the date of issue; (ii) conversion rights at HK$0.20 per share, or at HK$0.15 per share in the event of default, for fully paid ordinary shares of the Company (subject to further adjustment as stipulated in the DRD); and (iii) a conversion period of 5 years from the date of issue.

    (iii) HK$57,126,656 as Secured Convertible Bonds with a 4% Coupon ("4% CB"). The terms of the 4% CB include (i) repayment of the principal amount outstanding together with all interest outstanding on the 5th anniversary of the date of issue; (ii) conversion rights at HK$0.20 per share, or at HK$0.15 per share in the event of default, for fully paid ordinary shares of the Company (subject to further adjustment as stipulated in the DRD); (iii) a conversion period of 5 years from the date of issue; and (iv) an annual interest rate of 4% payable in arrears every six months.

3. DEBT RESTRUCTURING (Continued)

(iv) The balance of the residual indebtedness of approximately HK$109,641,000 was divided among the banks in the Bank Group on the basis of their residual indebtedness percentage as a term loan over 5 years with interest at the 3-month Hong Kong Inter-bank Offer Rate plus 1% per annum. The principal is repayable commencing on 30th August, 2001, and for every six months, HK$11,000,000 will be payable pro rata to each bank by reference to their residual indebtedness percentage. At the end of the fifth year, the remaining balance of the term loan will be repaid in full. The interest expense associated with the term loan is payable on a quarterly basis.

The aforesaid convertible bonds and term loan are secured by (i) all existing guarantees and security which remain in full force and effect; and (ii) the security provided pursuant to the terms of a standstill and security sharing arrangement with the Bank Group on 7th December, 1999 which had lapsed on 14th January, 2000. Further security would be provided by way of a charge over (i) the banking facilities for working capital purposes to be granted to the Group; (ii) any deposit account held by the security agent of the Bank Group; and (iii) any new facilities provided by any banks of the Bank Group.



The above mentioned debt restructuring plan was completed on 15th December, 2000. As a result of the debt restructuring as described in (b)(i) above, a gain on forgiveness of debt of approximately HK$30,060,000, after deduction of the direct expenses, was recognised in the consolidated income statement for the year ended 31st March, 2001.

Pursuant to a Share Offer Agreement dated 15th December, 2000, the agent acting on behalf of the Bank Group, by way of Share Sale, converted HK$86,873,344 Zero CB into shares at HK$0.20 per share (Note 25). Based on the terms defined in the DRD, the qualifying shareholders of the Company were able to acquire 434,366,720 ordinary shares from the Bank Group at HK$0.05 per share.

4. SEGMENT INFORMATION

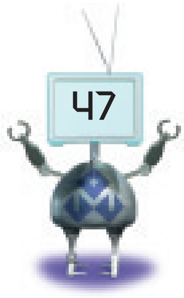
(a) Geographical segments

The Group's revenue is mainly derived from customers located in North America and PRC, while the Group's business activities are conducted predominantly in Hong Kong and the Mainland China. An analysis of the Group's external sales by location of customers is as follows:

	The United States		Canada		PRC		Europe and others		Total	
	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000
External sales	235,424	222,621	31,809	23,444	132,727	124,324	34,789	34,101	434,749	404,490
Gross profit	64,587	52,112	9,225	6,874	54,362	45,965	9,894	9,795	138,068	114,746

All the production facilities of the Group are located in the Mainland China. Hence, no analysis of the segment assets, liabilities and capital expenditure information by geographical locations is provided.

(b) No business segment information is provided as over 90% of the turnover and contribution to the Group's results are attributable to the manufacturing and trading of household products.



5. TURNOVER AND OTHER REVENUE

An analysis of turnover and other revenue is follows:

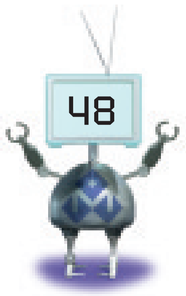
	Group	
	2002 HK$'000	2001 HK$'000
Turnover	434,749	404,490
Sale of goods	434,749	404,490
Other revenue		
Exchange gains, net	–	358
Rental income under operating lease, net of outgoings	454	457
Interest income	1,671	3,538
Others	1,358	947
	3,483	5,300
Total revenue	438,232	409,790

6. MAJOR CUSTOMER

During the year, the largest customer accounted for approximately 29% (2001: 29%) of the total sales of the Group.

7. PROFIT FROM OPERATING ACTIVITIES

Profit from operating activities was determined after charging and crediting the following:



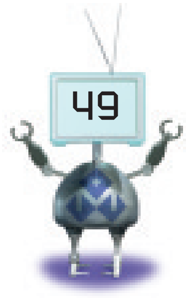
	Group	
	2002 HK$'000	2001 HK$'000
Charging:		
Auditors' remuneration	800	700
Depreciation:		
Owned fixed assets	40,868	44,595
Leased fixed assets	3,284	3,378
	44,152	47,973
Operating lease rentals of land and buildings	5,858	6,088
Staff costs (including directors' emoluments)	57,264	57,826
Exchange losses, net	86	–
Loss on disposals of fixed assets	503	1,849
Provision for impairment in value of an associate	–	843
Provision for bad and doubtful debts	1,940	–
Redundancy and severance payments	1,193	1,489
Crediting:		
Exchange gains, net	–	358
Write-back of provision for inventory obsolescence	6,593	166
Write-back of over-provision for depreciation	–	5,452
Interest income on bank deposits	1,671	3,538
Rental income (less outgoings)	454	457
Write-back of provision for impairment in value of an associate	85	–
Write-back of provision for bad and doubtful debts	–	1,043

8. FINANCE COSTS, NET

	Group 2002 HK$'000	Group 2001 HK$'000
Interest on:		
Bank loans and overdrafts wholly repayable within five years	7,676	26,173
Convertible bonds	2,291	645
Finance leases	689	1,098
Total finance costs	10,656	27,916
Less: Interest capitalised in construction-in-progress	(61)	(1,741)
	10,595	26,175

9. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to the Listing Rules issued by the Stock Exchange and Section 161 of the Hong Kong Companies Ordinance are as follows:



	Group 2002 HK$'000	Group 2001 HK$'000
Fees:		
Non-executive directors	140	58
Independent non-executive directors	580	367
	720	425
Other emoluments:		
Executive directors:		
Basic salaries, housing benefits, other allowances and benefits in kind	2,280	1,734
Contributions to pension scheme	24	8
	3,024	2,167

The emoluments of the directors analysed by the number of directors and emolument ranges are as follows:

	Group Number of directors 2002	Group Number of directors 2001
Nil – HK$1,000,000	6	13
HK$1,000,001 – HK$1,500,000	2	1
	8	14

There were no arrangements under which a director waived or agreed to waive any remuneration during the year.

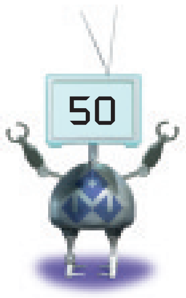
10. FIVE HIGHEST PAID EMPLOYEES

Of the five highest paid employees in the Group, two (2001: one) are directors of the Company whose emoluments are included in Note 9 above. The emoluments of the remaining three (2001: four) highest paid employees are as follows:

	Group	
	2002 HK$'000	2001 HK$'000
Basic salaries, housing benefits, other allowances and benefits in kind	2,675	4,597
Contributions to pension scheme	31	11
	2,706	4,608

Their emoluments are within the following bands:

	Group Number of employees	
	2002	2001
Nil – HK$1,000,000	2	2
HK$1,000,001 – HK$1,500,000	1	2
	3	4



11. TAXATION

	Group	
	2002 HK$'000	2001 HK$'000
Hong Kong		
Current year provision	235	–
Write-back of over-provision in prior year	–	(27)
The Mainland China		
Current year provision	174	659
Under-provision in prior year	–	470
Deferred tax (Note 24)	1,721	(1,000)
Tax expense for the year	2,130	102

Hong Kong profits tax has been provided at the rate of 16% on the estimated assessable profit for the year. Overseas taxation has been calculated on the estimated assessable profit for the year at the rates prevailing in the respective jurisdictions.

The Group's subsidiary registered in the Mainland China is exempted from income tax for two years starting from the first profit-making year of operations after offsetting prior losses and is entitled to a 50% relief from income tax for the following three years. During the year, the Mainland China income tax has been provided at a reduced rate of 7.5% for the period from 1st April, 2001 to 31st December, 2001 and 15% for the period from 1st January, 2002 to 31st March, 2002 on the estimated assessable profits generated by the Mainland China subsidiary.

12. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is approximately HK$98,000 (2001: HK$3,916,000).

13. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of approximately HK$15,690,000 (2001: HK$5,681,000), divided by the weighted average number of ordinary shares outstanding during the year of 868,733,440 shares (2001: 508,149,560 shares) (Note 14).

14. DILUTED EARNINGS PER SHARE

The calculation of diluted earnings per share is based on adjusted consolidated net profit of approximately HK$17,610,000 (2001: HK$6,243,000) on the assumption that all convertible bonds were converted on 1st April, 2001 and on the weighted average number of 1,304,366,720 shares (2001: 635,855,755 shares) deemed to have been in issue during the year.

Reconciliation of the number of ordinary shares for calculation of basic and diluted earnings per share is as follows:

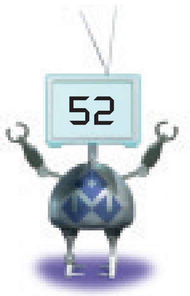
	Group	
	2002	2001
Weighted average number of ordinary shares used in calculating basic earnings per share (Note 13)	868,733,440	508,149,560
Deemed issue of ordinary shares at no consideration	435,633,280	127,706,195
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,304,366,720	635,855,755

15. FIXED ASSETS

	Group								
	2002								2001
	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures, office and computer equipment HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Construction-in-progress HK$'000	Total HK$'000	Total HK$'000
Cost									
Beginning of year	327,047	20,193	89,766	34,621	14,947	134,141	3,334	624,049	606,582
Additions	963	482	1,545	1,401	49	13,333	5,373	23,146	24,341
Disposals	(220)	(221)	(719)	(6,651)	(605)	(13,195)	–	(21,611)	(6,874)
Transfer from construction-in-progress	3,318	1,189	3,800	400	–	–	(8,707)	–	–
End of year	331,108	21,643	94,392	29,771	14,391	134,279	–	625,584	624,049
Accumulated depreciation									
Beginning of year	21,982	10,770	70,634	25,661	11,511	87,404	–	227,962	189,260
Charge for the year	7,113	2,716	7,716	3,800	1,763	21,044	–	44,152	42,521
Disposals	(112)	(150)	(618)	(5,788)	(576)	(10,315)	–	(17,559)	(3,819)
Reclassification	(192)	192	–	–	–	–	–	–	–
End of year	28,791	13,528	77,732	23,673	12,698	98,133	–	254,555	227,962
Net book value									
End of year	302,317	8,115	16,660	6,098	1,693	36,146	–	371,029	396,087
Beginning of year	305,065	9,423	19,132	8,960	3,436	46,737	3,334	396,087	417,322

The Group's leasehold land and buildings are analysed as follows:

	Group	
	2002 HK$'000	2001 HK$'000
Under medium term leases:		
Hong Kong	29,141	29,801
The Mainland China	273,176	275,264
	302,317	305,065



15. FIXED ASSETS (Continued)

All of the Group's fixed assets are pledged against secured bank loans and convertible bonds of approximately HK$129.5 million (2001: HK$155.6 million) and HK$87.1 million (2001: HK$87.1 million) respectively.

The net book value of the fixed assets held under finance leases included in plant and machinery of the Group at 31st March, 2002 amounted to HK$2,860,000 (2001: HK$6,825,000).

The Group's construction-in-progress is all situated outside Hong Kong under medium term leases. As at 31st March, 2002, leasehold land and buildings included capitalised interest of approximately HK$61,000 (2001: HK$1,741,000).

	Group	
	2002 HK$'000	2001 HK$'000
Interest capitalised	61	1,741
Average capitalisation rate	4%	8%

16. INTERESTS IN SUBSIDIARIES

	Company	
	2002 HK$'000	2001 HK$'000
Unlisted shares, at cost	158,598	158,598
Due from subsidiaries	578,030	586,578
Due to subsidiaries	(67,282)	(53,270)
	669,346	691,906
Less: Provision for impairment in value	(294,121)	(293,834)
	375,225	398,072

The balances with subsidiaries are unsecured, interest-free and with no fixed repayment terms.

The directors are of the opinion that the underlying value of the subsidiaries was not less than the carrying amount of the subsidiaries as at 31st March, 2002.

Particulars of the Group's principal subsidiaries as at 31st March, 2002 are set out in Note 34 to the financial statements.

17. INTEREST IN AN ASSOCIATE

	Group	
	2002	2001
	HK$'000	HK$'000
Share of net assets	1,426	1,041
Due from an associate	818	844
Provision for impairment in value	(758)	(843)
	1,486	1,042

The amount due from the associate is unsecured, interest-free and with no fixed repayment terms.

The Group holds 40% of the issued share capital of Techable Industrial Limited, a company that is incorporated in Hong Kong and is engaged in the manufacturing and trading of metal products in Hong Kong.

The directors are of the opinion that the underlying value of the associate was not less than its carrying amount as at 31st March, 2002.

18. TRADE AND BILLS RECEIVABLE

	Group	
	2002	2001
	HK$'000	HK$'000
Trade receivable	83,000	77,901
Bills receivable	5,111	4,025
	88,111	81,926
Less: Provision for bad and doubtful debts	(11,077)	(9,137)
	77,034	72,789

An aging analysis of trade and bills receivable is set out below:

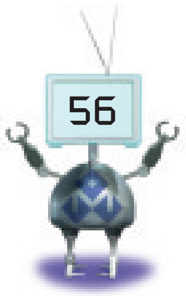
	Group	
	2002	2001
	HK$'000	HK$'000
		(Note 35)
Less than 1 month	35,924	32,161
1 month to 2 months	20,780	21,141
2 months to 3 months	12,075	9,852
3 months to 6 months	9,116	7,214
6 months to 1 year	4,776	4,410
More than 1 year	5,440	7,148
	88,111	81,926
Less: Provision for bad and doubtful debts	(11,077)	(9,137)
	77,034	72,789

Trade receivables are due after 30 days to 60 days.

19. INVENTORIES

	Group	
	2002	2001
	HK$'000	HK$'000
Raw materials	21,502	24,448
Work in progress	12,880	12,309
Finished goods	36,539	37,143
	70,921	73,900
Less: Provision for inventory obsolescence	(18,285)	(24,878)
	52,636	49,022

20. BANK LOANS



	Group		Company	
	2002	2001	2002	2001
	HK$'000	HK$'000 (Note 35)	HK$'000	HK$'000
Bank loans:				
Secured	90,042	116,467	87,641	109,641
The maturity of the above loans is as follows:				
Bank loans repayable				
Within one year or on demand	24,401	26,395	22,000	22,000
More than one year but not exceeding two years	22,000	24,431	22,000	22,000
More than two years but not exceeding five years	43,641	65,641	43,641	65,641
Total within five years	90,042	116,467	87,641	109,641
Portion classified in current liabilities	(24,401)	(26,395)	(22,000)	(22,000)
Long-term portion	65,641	90,072	65,641	87,641

As at 31st March, 2002, the long-term bank loans were secured by pledges of the Group's fixed assets (see Note 15).

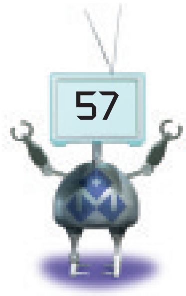
21. TRADE PAYABLES

An aging analysis of trade payables is set out below:

	Group	
	2002	2001
	HK$'000	HK$'000
Less than 3 months	25,665	18,218
3 months to 6 months	1,818	1,989
6 months to 1 year	1,245	224
More than 1 year	295	1,391
	29,023	21,822

22. FINANCE LEASE OBLIGATIONS

	Group	
	2002	2001
	HK$'000	HK$'000
Total minimum lease payments under finance leases:		
not later than one year	4,271	4,983
later than one year and not later than five years	–	4,116
Total minimum finance lease payments	4,271	9,099
Future finance charges	(221)	(885)
Total net finance lease obligations	4,050	8,214
Less: Amount due within one year included in current liabilities	(4,050)	(4,311)
Long-term portion	–	3,903
The present value of obligations under finance leases:		
not later than one year	4,050	4,311
later than one year and not later than five years	–	3,903
	4,050	8,214
Less: Amount due within one year included in current liabilities	(4,050)	(4,311)
	–	3,903



23. ADDITIONAL FINANCIAL INFORMATION ON CONSOLIDATED BALANCE SHEET

As at 31st March, 2002, the net current assets of the Group amounted to approximately HK$39,608,000 (2001: HK$25,917,000). On the same date, the total assets less current liabilities were approximately HK$412,123,000 (2001: HK$423,046,000).

24. DEFERRED TAX

	Group	
	2002 HK$'000	2001 HK$'000
Beginning of year	834	1,834
Provision for net timing differences (Note 11)	1,721	–
Reversal of net timing differences (Note 11)	–	(1,000)
End of year	2,555	834

Deferred tax liabilities of the Group represent the taxation effect of the timing differences arising from accelerated depreciation allowances. No deferred tax asset has been recognised in respect of the potential tax benefits relating to the tax losses.

As at 31st March, 2002, the Group and the Company had no other significant unprovided deferred tax.

25. CONVERTIBLE BONDS

	Group and Company	
	2002	2001
	HK$'000	HK$'000
Zero CB:		
Beginning of year	30,000	–
Issued during the year	–	116,873
Converted during the year	–	(86,873)
End of year	30,000	30,000
4% CB:		
Beginning of year	57,127	–
Issued during the year	–	57,127
End of year	57,127	57,127
Total	87,127	87,127

Pursuant to the DRD, HK$116,873,344 Zero CB and HK$57,126,656 4% CB were issued by the Company. The Zero CB and 4% CB were issued at their principal amounts and bear interest at 0% and 4% per annum respectively. The Company may, at any time, redeem all or part of the Zero CB and/or 4% CB at their principal amounts together with all interest outstanding before 15th December, 2005. The Zero CB and 4% CB are unconditionally and irrevocably guaranteed by the Company and the Group.

Subject to the rights of redemption by the Company, the Zero CB and 4% CB are convertible into fully paid ordinary shares of HK$0.10 each of the Company at the option of the holder at a conversion price of HK$0.20 per share at any time on or before 15th December, 2005. The conversion price is subject to adjustment upon the occurrence of certain events as defined in the agreement pertaining to the issuance of the Zero CB and 4% CB.

Pursuant to the Share Sale in January 2001, 434,366,720 ordinary shares of par value HK$0.10 each of the Company were issued upon the conversion of Zero CB with a principal value of approximately HK$86,873,000 by certain bondholders at a conversion price of HK$0.20 per share (Note 3). As a result of the Share Sale, the amounts of share capital and share premium increased by HK$43,436,672 each.

According to the DRD, the Group has to, amongst others, comply with the following financial covenants:

(a) The gearing ratio should not exceed 130% and 100% for the years ending 31st December, 2002 and 2003 respectively;

(b) The ratio of EBIT to interest expense should not be less than 1.5 for the years ending 31st December, 2002 and 2003;

(c) The tangible net worth should not be less than HK$165,000,000 and HK$200,000,000 for the years ending 31st December, 2002 and 2003 respectively.

26. SHARE CAPITAL

	Group and Company	
	2002	2001
	HK$'000	HK$'000
Authorised:		
4,000,000,000 (2001: 4,000,000,000)		
ordinary shares of HK$0.10 each	400,000	400,000
Issued and fully paid:		
868,733,440 (2001: 868,733,440)		
ordinary shares of HK$0.10 each	86,873	86,873

27. SHARE OPTION SCHEME

On 20th September, 1995, a share option scheme (the "Share Option Scheme") was approved by the shareholders of the Company, under which the directors of the Company may, at their discretion, invite any full-time employee or executive director of the Company or its subsidiaries to take up options at HK$1 each to subscribe for ordinary shares in the Company. Each option is entitled to subscribe for one ordinary share of the Company and the subscription price is determined by the Board of Directors at not less than 80% of the average closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer of the option or the nominal value of the shares, whichever is higher. Options are exercisable in stages as determined by the Board of Directors from time to time at the date of grant.

As at the balance sheet date, the Company had no outstanding share options:

Date of grant of share options	Number of share options outstanding At 31st March, 2002	Number of share options outstanding At 31st March, 2001	Subscription price per share	Exercise period
7th October, 1996	–	1,000,000	HK$1.68	7th October, 1996 – 6th October, 2001

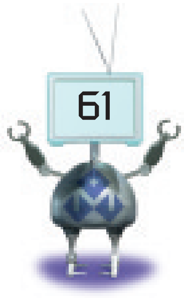
During the year, all share options lapsed and no share options were exercised or granted.

28. RESERVES

Movements of reserves of the Group and the Company during the year are as follows:

	2002						2001
Group	Share premium HK$'000	Capital redemption reserve HK$'000	Translation reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000	Total HK$'000
Beginning of year	282,049	1,265	139	51	(132,103)	151,401	102,283
Share Sale (Note 3)	–	–	–	–	–	–	43,437
Net profit for the year	–	–	–	–	15,690	15,690	5,681
End of year	282,049	1,265	139	51	(116,413)	167,091	151,401
The Company and subsidiaries	282,049	1,265	139	51	(117,474)	166,030	150,725
Associate	–	–	–	–	1,061	1,061	676
	282,049	1,265	139	51	(116,413)	167,091	151,401

	2002					2001
Company	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000	Total HK$'000
Beginning of year	282,049	1,265	158,398	(292,076)	149,636	102,283
Share Sale (Note 3)	–	–	–	–	–	43,437
Net profit for the year	–	–	–	98	98	3,916
End of year	282,049	1,265	158,398	(291,978)	149,734	149,636



28. RESERVES (Continued)

The laws and regulations of the Mainland China require wholly foreign-owned enterprises in the Mainland China ("WFOE") to provide for certain statutory reserves namely general reserve, enterprise expansion fund and staff welfare and bonus fund which are appropriated from net profit as reported in the statutory accounts.

The Group's subsidiary in the Mainland China, which is a WFOE, is required to allocate at least 10% of its after-tax profit to the general reserve until the reserve has reached 50% of its registered capital. The general reserve can only be used, upon approval by the relevant authority, to offset accumulated losses or increase capital. The enterprise expansion fund can only be used to increase capital upon approval by the relevant authority. The staff welfare and bonus fund can only be used for the welfare of the employees of the subsidiary in the Mainland China. Appropriation to the enterprise expansion fund and staff welfare and bonus fund is at the discretion of the Board of Directors of the subsidiary in the Mainland China.

The Group's subsidiary in the Mainland China has not made any appropriations to the statutory reserves because it has accumulated losses.

The contributed surplus of the Group represents the difference between the nominal value of the aggregate share capital of the subsidiaries at the date on which they were acquired by the Group and the nominal value of the Company's shares issued as consideration for the acquisition as at the date of the Group reorganisation in 1995.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend or make a distribution out of the contributed surplus, if:

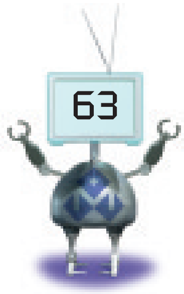
(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit from operating activities to net cash inflow from operating activities:

	Group	
	2002	2001
	HK$'000	HK$'000
Profit from operating activities	28,030	2,302
Interest income	(1,671)	(3,538)
Write-back of provision for inventory obsolescence	(6,593)	(166)
Provision for bad and doubtful debts	1,940	–
Write-back of provision for bad and doubtful debts	–	(1,043)
Write-back of provision for impairment in value of an associate	(85)	–
Provision for impairment in value of an associate	–	843
Depreciation of fixed assets	44,152	42,521
Loss on disposals of fixed assets	503	1,849
(Increase) Decrease in trade and bills receivable, prepayments, deposits and other receivables	(3,660)	11,040
Decrease in inventories	2,979	24,009
Decrease in amount due from an associate	26	118
Increase (Decrease) in trade payables, other payables and accruals	6,269	(39,670)
Increase in long-term payable	–	2,836
Net cash inflow from operating activities	71,890	41,101



(b) Analysis of changes in financing during the year:

	2002					2001
	Share capital and share premium	Finance lease obligations	Bank loans	Convertible bonds	Total	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Beginning of year	368,922	8,214	175,631	87,127	639,894	505,259
Reclassification of bank overdrafts and import loans from cash equivalents	–	–	–	–	–	153,572
Accrued interest expense	–	–	–	–	–	22,285
Gain on forgiveness of debt	–	–	–	–	–	(30,060)
Inception of finance lease contracts	–	–	–	–	–	775
Exchange difference	–	–	343	–	343	–
Net cash outflow from financing	–	(4,164)	(32,683)	–	(36,847)	(11,937)
End of year	368,922	4,050	143,291	87,127	603,390	639,894

30. CONTINGENT LIABILITIES

As at 31st March, 2002, the Company had given guarantees to banks in connection with facilities granted to its subsidiaries.

31. COMMITMENTS

(a) Capital commitments

	Group	
	2002	2001
	HK$'000	HK$'000
Authorised and contracted for:		
Purchases of land and buildings, and plant and machinery	1,073	825
Authorised but not contracted for:		
Purchases of plant and machinery	–	1,761
	1,073	2,586

The Company had no capital commitments at 31st March, 2002 (2001: Nil).

(b) Lease commitments

As at 31st March, 2002, the total future minimum lease payments payable under non-cancellable operating leases are as follows:

	Group	
	2002	2001
	HK$'000	HK$'000 (Note 35)
Properties		
Not later than 1 year	3,789	3,793
Later than 1 year and not later than 5 years	4,288	904
Later than 5 years	12	–
	8,089	4,697

32. BANKING FACILITIES

Saved as the outstanding bank indebtedness disclosed in Note 3, the Group had aggregate banking facilities of approximately HK$81,800,000 (2001: HK$85,900,000) for overdrafts, import and export trade financing and working capital as at 31st March, 2002. Unused facilities as at the same date amounted to approximately HK$26,200,000 (2001: HK$19,900,000). These facilities were secured by the following:

(a) Corporate guarantees given by the Company together with its three wholly-owned subsidiaries in favour of a bank for general banking facilities granted to the Group;

(b) Restricted bank deposits of approximately HK$42,140,000 (2001: HK$41,029,000) held by the security agent of the Bank Group. The Group is restricted from using these bank deposits unless prior approval is obtained from the Bank Group. The deposits earn interest at 1.3%–4.7% (2001: 4.9%-6.5%) per annum.

(c) Certain of the Group's leasehold land and buildings with a total net book value of approximately HK$108,620,000 (2001: HK$111,059,000) are pledged against secured bank loans of approximately HK$41.8 million (2001: HK$45.9 million).

33. PENSION SCHEME ARRANGEMENTS

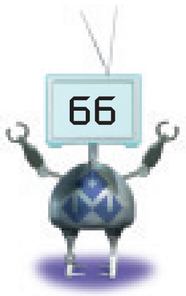
Since 1st December, 2000, the Group has arranged for its employees in Hong Kong to join the Mandatory Provident Fund Scheme (the "MPF Scheme"). The MPF Scheme was introduced pursuant to the Mandatory Provident Fund legislation introduced during that year. Under the MPF Scheme, the Group and each of the employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the employer's and the employees' contributions are subject to a cap of monthly earnings of HK$20,000. For those employees with monthly earnings less than HK$4,000, the employees' contributions are voluntary.

During the year, the aggregate amount of employer's contribution made by the Group to the MPF Scheme was approximately HK$496,000 (2001: HK$182,000).

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31st March, 2002 are as follows:

Name	Place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity interest attributable to the Company	Principal activities
Directly held:				
Magician Investments (BVI) Limited	British Virgin Islands	US$6 ordinary	100%	Investment holding
Treasure Trend Development Limited	British Virgin Islands	US$1 ordinary	100%	Investment holding
Indirectly held:				
Diyon Development Limited	Hong Kong	HK$3 ordinary	100%	Purchasing of paper, plastic and metal materials and products
Magicgrand Development Limited	British Virgin Islands	US$1 ordinary	100%	Trading of plastic and metal products
Magician Industrial Company Limited	Hong Kong	HK$5 ordinary	100%	Marketing and trading of plastic and metal products
Jinda Plastic Metal Products (Shenzhen) Co. Ltd.	People's Republic of China	HK$180,000,000 registered capital	100%	Manufacturing and trading of plastic and metal products
More Concept Limited	Hong Kong	HK$3 ordinary	100%	Marketing and trading of plastic and metal products
Nicole (China) Company Limited	Hong Kong	HK$2 ordinary	100%	Marketing and trading of plastic and metal products
Grandmate Industrial Company Limited	Hong Kong	HK$251,000 ordinary	100%	Marketing and trading of plastic and metal products
Hopeward Holdings Limited	British Virgin Islands	US$1 ordinary	100%	Property holding
Falton Investment Limited	Hong Kong	HK$2 ordinary	100%	Property holding



All of the above subsidiaries operate principally in Hong Kong except for Magicgrand Development Limited and Jinda Plastic Metal Products (Shenzhen) Co. Ltd. which operate in the Mainland China.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

35. COMPARATIVE FIGURES

Certain of the 2001 comparative figures have been reclassified to conform to the current year's presentation and the new presentation and disclosure requirements under the new SSAPs.

The major reclassifications included the classification of short-term bank loans to current portion of long-term bank loans in the consolidated balance sheet and the restatement of the comparative information in the operating lease commitments disclosure to comply with the requirements of SSAP 14 (revised) "Leases".

36. APPROVAL OF FINANCIAL STATEMENTS

The financial statements set out on pages 33 to 67 were approved and authorised for issue by the Board of Directors on 24th June, 2002.